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Prime Minister's schedule, April 26

NIHON KEIZAI (Page 2) (Full)

April 27, 2006

08:05

Met Deputy Chief Cabinet Secretary Suzuki at Kantei.

09:00

Attended an Upper House Administrative Reform Special Committee

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meeting.

11:58

Returned to Kantei.

13:00

Attended the Upper House Administrative Reform Special Committee meeting.

17:16

Met at Kantei with Chief Cabinet Secretary Abe and his deputy Futahashi, followed by Economic and Fiscal Policy Minister Yosano.

18:28

Attended Keizai Doyukai's 60th anniversary party at the Japan Industrial Club in Marunouchi.

19:01

Dined at a Japanese restaurant in Akasaka with Columbia University Prof. Gerald Curtis, joined by actress Megumi Okuna.

22:19

Returned to his residence.

4) Gov't shocked at 3 trillion yen for Japan's cost sharing of USFJ realignment

SANKEI (Top play) (Full)

April 27, 2006

Japan's burden of cost sharing for realigning US forces in Japan is estimated at approximately 3 trillion yen. This estimated amount of money, shown by US Deputy Under Secretary of Defense Lawless in his recent remarks, shocked the Japanese government. "It's tremendous," Chief Cabinet Secretary Shinzo Abe said. "It's probably out of consideration for (US) public opinion," Prime Minister Junichiro Koizumi told reporters yesterday evening in trying to calm the shock. However, the figure in terms of 3 trillion yen could have wings without a specific estimate of costs. It will likely become a major point of contention in the Diet during the latter half of its current session.

"If we fail to agree now, this task may be carried over to the next government. If that is the case, Japan may not be able to ensure its cost sharing for Guam relocation." With this, the Japanese government urged the US government to make concessions in their talks over the cost of moving US Marines from Okinawa to Guam. Koizumi's term will be up in September. A government official therefore suggests the need for the Koizumi government to pave the way to legislating and budgeting the realignment of

US forces in Japan. "Otherwise," the official added, "the next government won't last."

The government is walking a tightrope in its time schedule. In early May, the government is scheduled to make a cabinet decision to adopt a plan to relocate the US Marine Corps' Futenma Air Station to a coastal area of Camp Schwab. Shortly thereafter, the government will present a time-limited package of special legislative measures to the Diet for its approval of Japan's fiscal assistance to the US military's realignment in Japan.

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The legislation is to package fiscal measures for Guam relocation and base realignment in Japan. When it comes to Guam relocation, the bill will allow the Japan Bank for International Cooperation (JBIC) to make investments or lend money for infrastructure construction, such as power supply and sewerage, in addition to housing construction. It also features subsidies for base-hosting municipalities accepting realignment plans.

However, the opposition will likely call for the government to show the grounds for the 3 trillion yen. "We must be theoretically armed to the bone, or the Japan-US alliance may be upset," a senior official of the Foreign Ministry says.

Lawless estimated Japan's share of base realignment costs at 20 billion dollars. That is because there is the Japan-US Status of Forces Agreement (SOFA), which, under the Japan-US Security Treaty, stipulates the status of US military personnel stationed in Japan and governs base management and operations. SOFA Article 24, for example, stipulates that Japan provides US forces with facilities in Japan without cost to the United States.

In addition, Japan also bears US military training relocation costs and utilities in conformity with a special agreement to shoulder the burden of expenses for the stationing of US forces in Japan with its omoiyari yosan, literally "sympathy budget," or host nation support (HNS). The Japanese government has earmarked 232.6 billion yen in its HNS budget for the current fiscal year.

However, the cost of Futenma airfield's relocation is unclear in itself. The government will also need to estimate specific costs, such as billeting for US military personnel and housing for family dependents in the process of realigning US military bases in Japan. "Even if we're asked to show the breakdown of costs, we can't answer right away," says one in charge of negotiations with the US government.

In the meantime, the Defense Agency estimates the total cost of the US military's realignment in Japan at 2.3 trillion yen, including the cost of Guam relocation. The agency also deems it possible to reduce the cost. One of the agency's officials is upset at Lawless's mention of Japan's share, saying, "He just talked about an estimate at this point."

The Defense Agency is seeking to handle base relocation in a separate budget slot apart from defense spending as in the case of outlays related to the Japan-US Special Action Committee on Facilities and Areas in Okinawa (SACO). For one thing, if the 3 trillion yen is slotted in the defense budget, the agency will need to substantially cut back on the Self-Defense Forces' budget.

However, the Ministry of Finance will not approve a separate budget slot. "The Defense Agency's budget request is related to defense spending," a ministry source says. If the ministry's standpoint passes muster, the agency will inevitably have to scale back on the current midterm defense buildup plan for five fiscal years from 2005 through 2009 when reviewing it next fiscal year, as it does not anticipate fiscal disbursements for the US military's realignment in Japan.

At the time of the 1991 Gulf War, the government implemented an ad hoc tax increase in order for Japan to outlay 9 billion

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dollars in assistance to the multinational force. However, it would be difficult to carry out a tax hike with a House of Councillors election scheduled for the summer of next year. The Koizumi government will shoulder a heavy burden in its closing days.

5) Koizumi: Lawless gave consideration of US public opinion in making statement

TOKYO SHIMBUN (Page 2) (Full)
April 27, 2006

In reaction to US Deputy Under Secretary of Defense Richard Lawless' announcement that Japan's share for the realignment of US forces in the country would come to 3 trillion yen, Prime Minister Junichiro Koizumi indicated that it was a domestic message, saying, "I think he made the comment in consideration of US public opinion that Japan's burden is too light in comparison to the United States' responsibility for the defense of Japan."

Koizumi was speaking to reporters at his official residence.

6) Discord obvious in government over sharing of cost of US force realignment; Finance Ministry, MOFA call for disbursing money from defense budget

MAINICHI (Page 2) (Full)
April 27, 2006

US Deputy Defense Undersecretary Richard Lawless, the responsible official on the US side for talks on the realignment of US forces in Japan, announced on April 26 that Japan would pay an estimated 26 billion dollars or about 3 trillion yen to help implement the overall realignment. In response, discord is coming to the surface in the government over the size of Japan's share and the fiscal resources to pay for it. Some officials have reacted fiercely to the fact that the Defense Agency (JDA) engaged in negotiations with the US without fully coordinating views with the Finance Ministry and the Ministry of Foreign Affairs (MOFA). Given such dissatisfaction, they are forming an encircling net around JDA to place the responsibility for the current situation on it. A one senior MOFA official said, "The cost naturally should be covered within the framework of the defense budget."

Prime Minister Junichiro Koizumi said last night: "The US supposedly gave the numerical figure out of consideration to the domestic public opinion criticizing that Japan's burden is overly light despite the US efforts to protect Japan in a responsible manner."

As part of the overall US force realignment cost, Japan and the US have agreed on Japan's sharing of 6.09 billion dollars of the 10.27 billion dollar cost to relocate Okinawa-based Marines to Guam. According to what Lawless announced, it will cost about 20 billion dollars more or approximately 2.3 trillion yen to realign US military bases in Japan, including the relocation of Futenma Air Station and the carrier-based aircraft.

In a speech on April 24, JDA Administrative Vice Minister Takemasa Moriya also gave a numerical figure close to the 20 billion dollars. He said:

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"Excluding the Guam transfer cost, we estimate 2 trillion yen will be needed over eight years or 260 billion yen annually. Japan has disbursed 600 billion yen (annually for US forces in Japan, including "sympathy budget" allocations), so Japan will have to shoulder a total of 860 billion yen a year."

JDA, by emphasizing the huge sum of Japan's share of the relocation cost, is apparently aiming to urge the government to set an account separate from the defense budget.

But the Finance Ministry has reacted to JDA, a senior official remarking: "I wonder why such a large sum of money is needed. That is the figure the government presented while keeping the reactions in the US Congress in mind." Administrative Vice Finance Minister Koichi Hosokawa said in a press conference: "The cost should be included in defense-related expenses." Chief Cabinet Secretary Shinzo Abe said at a press conference: "It's my impression that it is an incredible sum of money. We will look into the content of the reported figure." On budgetary measures, Abe indicated that he would carefully watch coordination work between the Finance Ministry and JDA.

7) Japan's share in USFJ realignment cost; Exchange rate will not be fixed, taking sharp exchange-rate fluctuations into account

NIHON KEIZAI (Page 2) (Excerpts)
April 27, 2006

Now that the sharing of the USFJ realignment cost between Japan and the US has been fixed, the government will promptly take necessary measures. For a start, it will consider making an arrangement with the US side in order to avoid losses from exchange-rate fluctuations. In the meantime, with a view to securing 3 trillion yen to cover Japan's share, the Defense Agency will call on the Ministry of Finance (MOF) to set up a separate budgetary framework from the regular defense budget.

Fluctuations in exchange rates will affect the dollar-denominated cost of relocating Marines in Okinawa to Guam. Japan has agreed to pay 6 billion dollars (approximately 710 billion yen) for the relocation. The plan most likely to be adopted is to stipulate that the exchange rate for December, when Japan's state budget is compiled, be used and to hold talks with the US if exchange rates greatly fluctuate.

The realignment will not be completed before fiscal 2012, even if it proceeds well. The government therefore has judged that fixing an exchange rate for the next six years at this point would involve a great exchange risk. Provided that the 6 billion dollars are set in dollar terms, Japan's burden would increase by approximately 60 billion yen, if the depreciation of the yen against the dollar advances by 10 yen.

8) Government to introduce legislation to finance 3 trillion yen in Japan's share of total US force realignment cost

ASAHI (Page 2) (Full)
April 27, 2006

The government will soon start work to submit to the Diet a "Bill Related to US Force Realignment in Japan" (tentative name) as the basis for Japan to disburse money to bear part of the cost to

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relocate Okinawa-based Marines to Guam. The bill will include measures to create a fund to help promote the economies of base-hosting communities. Amid priority given to the Japan-US agreement, however, coordination work in the government over fiscal resources to finance Japan's share, which has been estimated at 3 trillion yen by the US government, has been put on the backburner. It remains to be seen if the legislation will be enacted during the current Diet session.

The Japanese government has envisioned a scenario in which Japan and the US will complete a final plan at the two-plus-two top security meeting of defense and foreign ministers in early May and that the results of realignment talks will be played up during a meeting between Prime Minister Koizumi and President Bush planned after the end of the current Diet session.

The government is also aiming to submit and enact bills related

to US force realignment in the current Diet session. As for budgetary measures, the government intends to make arrangements to earmark the budget in fiscal 2007 or later.

On the details and fiscal resources of Japan's share, however, "a scheme has yet to be firmed up," according to Defense Agency (JDA) Director General Nukaga. It seems that it will take considerable time for coordination between the Finance Ministry, which is eager to cut expenditures, and the JDA, which is calling for a separate account from the defense budget.

If regional promotion measures and a subsidy system for base-hosting communities are included in the bills, their submission will likely be delayed. That is because Okinawa Prefecture has yet to agree on modifications to the current Futenma relocation plan.

Meanwhile, the Ozawa-led Minshuto (Democratic Party of Japan) has lashed out at the government, claiming: "Questions have been raised about the stance of the Koizumi administration, the government, and the Liberal Democratic Party, which will use taxpayer money (in response to demands by the US)." If the government decides to pay a large sum without specifying a timeframe for relocating Marines to Guam, Diet deliberations will inevitably fall into chaos.

9) JCP, SDP criticize Japan's share for US force realignment as outrageous

TOKYO SHIMBUN (Page 2) (Full)
April 27, 2006

Japanese Communist Party (JCP) Executive Committee Chairman Kazuo Shii criticized yesterday a US defense deputy under secretary's statement that Japan's share of the realignment of US forces in Japan would run to 3 trillion yen, saying, "The sum is outrageous. It is unreasonable to disburse Japan's tax money for building facilities in Guam to enhance the US military." Shii was speaking on a CS Asahi Newstar program.

Social Democratic Party (SDP) head Mizuho Fukushima also told a press conference, "Why does Japan has to bear such a large share while saying that the country would aim for a small, effective and simple government?"

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About the question of improving the law connected with disbursing funds, Fukushima also said: "It is preposterous to ram legislation through the Diet to impose a burden on the people just because the government promised the United States. Democratic principles of finance have been broken."

10) Japan, US to decide at 2-plus-2 meeting to revise defense cooperation guidelines to expand international cooperation; Possibility of Japan passing permanent law allowing SDF overseas dispatches

YOMIURI (Top play) (Excerpt)
April 27, 2006

The Japanese and US governments have set a policy course for revising the current set of defense cooperation guidelines and have now entered the final stage of coordination. The current set of guidelines focuses on cooperation between the Self-Defense Forces (SDF) and the US forces in the event of an emergency in the areas surrounding Japan, but now, based on changes in the international situation, the bilateral cooperation will be expanded to include global-scale international peacekeeping activities, including responding to the war on terror, and missile defense. Coordination is going forward so that agreement on revising the guidelines can be reached by the Japan-US Security Consultative Committee (2-plus-2) consisting of the foreign and defense affairs-related cabinet ministers of both countries, who will meet in early May. The Japanese government

intends to link the guideline revision to other efforts, including permanent legislation allowing the overseas dispatch of the SDF. The proposal has been floated to have a new Japan-US security declaration issued by Prime Minister Koizumi and President Bush at their summit in June.

11) US force realignment: US to totally return four Okinawa bases; Final report outlined

TOKYO SHIMBUN (Page 1) (Excerpts)
April 27, 2006

The Japanese and US governments outlined yesterday their final report on US force realignment for release in early May. The report incorporated a plan to completely return some US base facilities, such as Naha Naval Port facilities in southern Okinawa, in addition to what was specified in an interim report last year.

The US will totally return the following four facilities in Okinawa, home to over 70% of the US bases in Japan: Futenma Air Station, which is already specified in the interim report, Naha Naval Port facilities, Makiminato Service Area, and Camp Kuwae. The US will return a total of 1,500 hectares of land, including two facilities at Camp Zukeran and another place that will be returned partially. This corresponds to a mere 6% of the total US military facilities and areas in Okinawa (23,680 hectares). But the government is insisting that this will help tremendously reduce burdens on populous areas.

An agreement has also been reached to build two runways in a V shape on the coastline of Camp Schwab in Nago to replace Futenma Air Station. Aerial refueling planes will also be relocated from Futenma Air Station to the Iwakuni base in Yamaguchi and the Air

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Self-Defense Force's (ASDF) Kanoya base in Kagoshima.

Main points in the final report

Return 1,500 hectares of land, including Naha Naval Port facilities in southern Okinawa.

Construct two runways in a V shape at Camp Schwab.

Move 8,000 Marines from Okinawa to Guam. Japan is to bear 59% of the relocation-related cost.

Relocate part of fighter training from US Air bases to five ASDF bases.

Return part of Sagami Depot measuring 17 hectares.

Continue talks on air traffic control held by Yokota Air Base.

12) Final coordination underway for dispatching 10th GSDF contingent to Iraq in May

ASAHI (Page 2) (Abridged slightly)
April 27, 2006

The government has begun coordination to issue an order possibly next week for dispatching the 10th Ground Self-Defense Force (GSDF) contingent to the southern Iraqi city of Samawah. With the designation of a new prime minister by the Iraqi parliament, a plan had surfaced at one point to end Japan's assistance with the 9th contingent that would stay in the country until the end of May. But the government has concluded that it would take time to form a cabinet and transfer security authority to Iraq. The government plans to make arrangements for a withdrawal while the 10th contingent is in Iraq until August.

According to a government source, once an order is issued, members of the 10th contingent would leave for Iraq starting in early May. It would be difficult to begin withdrawing troops from

Samawah before late May. As it is said that a withdrawal usually takes two months, a GSDF pullout would not be completed until late July.

Now that Jawad al-Maliki has been named new Iraqi prime minister, the government determined that the "political process" - the most difficult condition of four requirements for a pullout -- has been met. "Chances have emerged for the establishment of a new Iraqi administration before the end of this month and the release of a program on transferring security authority," a Foreign Ministry official said. The ministry began exchanging information with Britain and Australia this week.

But according to the ministry, the cautious view is strong in the two countries that they should watch the political process.

Some Japanese government officials also called for the termination of Japan's assistance with the 9th contingent. But calls for a rotational contingent outgrew them.

13) Sakie Yokota, mother of abducted Megumi, shakes hand with Deputy Defense Undersecretary Lawless

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SANKEI (Page 1) (Full)
April 27, 2006

By Sho Nakamura, Washington

Members of a group of the families of the missing Japanese abducted by North Koreans, including Sakie Yokota, mother of Megumi Yokota, who was abducted at the age of 13, met on April 26 at the US Defense Department with Deputy Secretary of Defense Gordon England and other officials. Deputy Undersecretary Richard Lawless welcomed them, receiving and sending them off in front of the Pentagon building. He wore a blue ribbon, a symbol of efforts to rescue the abductees from North Korea.

14) South Korea sets up task force to strengthen claim on Takeshima (Dokdo) islets; likely to propose seafloor topography names in June

ASAHI (Page 3) (Excerpts)
April 27, 2006

By Tadanao Takatsuki, Seoul

South Korean Foreign Affairs and Trade Minister Ban Ki Moon revealed yesterday that his ministry would launch a task force to strengthen its claim on a group of South Korea-controlled islets in the Sea of Japan, known as Takeshima in Japan and Dokdo in South Korea, in response to a special statement released the day before yesterday by President Roh Moo Hyun. Regarding South Korea's agreement with Japan to delay its plan to name seafloor topography near the disputed islets, First Vice Foreign Minister Yoo Myung Hwan stated in the parliament that South Korea might propose its naming plan to an international conference in June if all preparations were made.

Foreign Minister Ban said that the Takeshima (Dokdo) issue, which was handled by the Asian and Oceanian Affairs Bureau, would be transferred to the special task force team headed by a vice minister-level official. A number of experts will work for the task force. Working-level officials will work on specific operations, according to Ban.

Following Roh's statement, many ruling and opposition party members are now calling on the government to present concrete measures to resolve the issue. In response to these domestic calls, the setting up of the task force on Takeshima seems to have decided.

However, the view is that if the confrontation with Japan intensifies, South Korea, which effectively controls the islets,

will find itself on the horns of a dilemma since the international community will know that the territorial dispute is still going on between the two countries.

15) In meeting with LDP's Yamasaki, China's National People's Congress Standing Committee Chairman Wu criticizes Prime Minister Koizumi's visits to Yasukuni Shrine

MAINICHI (Page 5) (Full)
April 27, 2006

By Nariyuki Tanaka, Beijing

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Taku Yamasaki, former vice president of the ruling Liberal Democratic Party, met yesterday in Beijing with Wu Bangguo, chairman of the Standing Committee of China's National People's Congress. During the meeting, Wu criticized Prime Minister Junichiro Koizumi's visits to the controversial Yasukuni Shrine, noting, "Visits to Yasukuni Shrine by a political leader have damaged (our bilateral relations)." Yamasaki only responded, "We would like to come up with measures to resolve the issue." Yamasaki met also with Vice Foreign Minister Wu Dawei, who told Yamasaki that he would soon visit the United States to discuss North Korea's refusal to return to the six-party talks.

16) Prof. Gerald Curtis tells Prime Minister Koizumi, "Next prime minister may be a populist"

MAINICHI (Page 5) (Full)
April 27, 2006

Prime Minister Junichiro Koizumi dined yesterday with Gerald Curtis, professor at US Colombia University, at a Tokyo restaurant. Curtis told Koizumi: "You are popular but not a populist. Chances are that the next prime minister will be a populist but not popular."

17) LDP tax panel likely to put off consumption tax hike, possibly to fiscal 2008, with Upper House election in mind

ASAHI (Page 1) (Excerpts)
April 27, 2006

The Liberal Democratic Party's (LDP) Research Commission on the Tax System decided to review the consumption tax rate in a revision of the tax system in fiscal 2007. But the possibility is growing stronger that the review will be deferred to fiscal 2008, reflecting growing concerns in the LDP about a negative impact on the House of Councillors next year.

Fumiaki Ibuki, the subcommittee chairman of the LDP tax panel, said in a meeting of the Japan Business Federation (Nihon Keidanren): "Taking the current situation into consideration, it will be impossible to change the rate of the consumption tax in fiscal 2007." Tax panel Chairman Hakuo Yanagisawa also said: "It would be difficult in fiscal 2007. But we must carry it out in fiscal 2008." If a plan to raise the consumption tax is included in the tax reform plan for fiscal 2008, the rate will be hiked sometime from the fall 2008 through the spring 2009, at the earliest.

18) Views of "social divide" split in METI poll; 46% call for correction; 47% acknowledge disparity as result of effort

YOMIURI (Page 9) (Full)
April 27, 2006

The Basic Policy Panel of the Ministry of Economy, Trade, and Industry's (METI) Industrial Structure Council, an advisory panel reporting to METI, conducted a poll on the "social divide" and released results yesterday. The poll found that the number of those who called for the correction of the disparity and the number of those who were positive about such a disparity were

even.

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To a question about income disparity, a total of 46.7% of pollees replied, "Such a disparity should be corrected a little more" or "It must be corrected." A total of 47.6% made positive replies, such as "The disparity is the result of differences in ability and effort" or "It is necessary as an incentive."

The poll also asked why pollees feel that economic disparity is widening, allowing multiple replies. The largest portion of 45% noted, "Those who are earning high income, such as a handful of entrepreneurs, have increased," followed by 42% , who replied, "The number of those whose income dropped has increased due to industrial restructuring or bankruptcies."

The poll targeted people aged 20 and over, and received 5,100 replies from all over the country.

DONOVAN